



URN: 21-067

Subject: Annual Debt Recovery Report 2020/21

Report to: Executive Leadership Team – 23rd June 2021
Policy and Resources Committee – 27 July 2021

Report by: Stuart Brabben, Revenue & Benefits Service Manager

SUBJECT MATTER

This is an annual report detailing the council's collection performance and debt management arrangements for 2020/21. The report includes a:

- A summary of debts written off in each debt area showing the reasons for write-off and values
- Collection performance for Council Tax and Non- Domestic Rates.
- Level of arrears outstanding
- Level of provision for bad and doubtful debts

RECOMMENDATIONS

To approve the annual report giving details of the Council's write-offs in accordance with the Council's Recovery Guidelines and performance in relation to revenues collection

1. INTRODUCTION

1.1 The Annual Debt Recovery Report is one of the performance management measures to provide members with outturn figures for 2020/21 for the following:

- A summary of debts written off in each debt area showing the reasons for write off and values
- Collection performance for Council Tax and Non - Domestic Rates (NNDR)
- Level of arrears outstanding
- Level of provision for bad and doubtful debts

1.2 Writing off bad debts is a necessary function of any organisation collecting money. The Council is committed to ensuring that debt write offs are kept to a minimum by taking all reasonable steps to collect monies due. There will be situations where the debt recovery process fails to recover some or all of the debt and will need to be considered

for write off. The Council views such cases very much as exceptions and this report identifies those debts.

1.3 The COVID-19 pandemic has had a very significant impact on collection of Business Rates, Council Tax and Sundry Debts during 2020/21. The reasons for these can be summarised below;

- At the instruction of Executive Leadership Team and Members, no recovery action was taken until July 2020. In July 'gentle' reminders were sent out to businesses
- No further action was taken until a second issue of reminders were sent in October 2020
- The Magistrates Courts were closed for most of the year and the first Court Hearing we were able to book was December 2020. Normally at that point we would have had 8 hearings by that time
- Enforcement Agent visits were suspended for most of the financial year to reduce the risk of the spread of the virus
- Mindful of the impact of the pandemic on businesses from the Court Hearing in December, no further recovery action was taken in respect of Business Rates except for the issue of reminders

2. **PERFORMANCE**

Summary of collection rates and reductions in arrears

2.1 Business Rates

2.1.1 This year's collection has been significantly affected by COVID 19 due to some businesses ability to pay with uncertain financial situations, reduced revenues and the impact of lockdown. It should be noted that it was decided to delay the normal process of recovery action and whilst gentle reminders were sent, formal recovery was not able to commence until the Magistrates' Court confirmed they would begin to schedule Liability Order Court Hearings again. The first Liability Order Court Hearing date was on 4 December 2020. However, it should also be noted that due to the continuing effects of COVID 19 and lockdowns it was decided not to continue with any further Liability Order Court Hearings and any enforcement action for businesses since this Hearing, although reminder notices have continued to be sent.

2.1.2 Whilst the suspension of recovery action and the closure of the Courts was in place the Council still sought to help people pay in a variety of ways. The communication of this help was via bills, reminder notices, and our website and media communications.

- We offered very flexible payment arrangements and will continue to do so in 2021/22 in order to help businesses get back up to date
- Business Rates payers with businesses in the Retail, Hospitality and Leisure sectors were awarded a 100% Business Rates Discount via funding from central

government. This discount has now also been extended to 30 June 2021 at which point it will change to a 66% discount

- Through our website pages and communications businesses were also signposted to other help available to them, such as the business grants
- During 2020/21 a large part of the Business Rates Team resource was used for the administration of the various governments COVID Business Grants that were available all through the year

2.2 Sundry Debts

2.2.1 The overall arrears for Housing Benefit Overpayments continue to reduce and £159,249 more was collected than raised in 2020/21. However, although the overall debt for Sundry Debt has increased by £1,993,823, £1,749,989 of that was newly raised invoices during February and March 2021 with three individual invoices of £1,365,396 accounting for that value.

2.3 Council Tax

2.3.1 This year's collection has been significantly affected by COVID 19 due to some resident's ability to pay with uncertain financial situations, reduced incomes and impact of lockdown. It should also be noted that it was decided to delay the normal process of recovery action and whilst gentle reminders were sent, formal recovery was not able to commence until the Magistrates' Court confirmed they would begin to schedule Liability Hearings again. The first Liability Order Court Hearing date was on 4 December 2020. Normally the first Liability Order Court for the year would be in June and monthly thereafter. Three further Liability Order Courts Hearings have since been held between January and March and enforcement action options are being carried out on the Liability Orders that were obtained.

2.3.2 Whilst the suspension of recovery action and the closure of the Courts was in place the Council still sought to help people pay in a variety of ways. The communication of this help was via bills, reminder notices, benefit notifications and our website and media communications.

- A discretionary Council Tax Hardship Scheme was developed using funding given by central government. The first part of the scheme awarded all Council Tax Support claimants a maximum of £150 on their Council Tax account. This award meant that over 4,000 of claimants didn't have anything to pay for the whole year. The second part of the scheme allowed those above to apply for a top up award if the £150 still left an amount to pay. It also allowed other people to apply for an award who were not on Council Tax Support, but were experiencing hardship caused by the impact of the pandemic. Of the £1.3m received from this scheme we awarded £900,000. The remaining £400,000 will be used to support helping

Council tax payers with payment arrangements where they now have last years bill and this years to pay

- Promotion of other benefits (such as Universal Credit) that people might be entitled to was communicated to those who received reminder notices, amended bills and benefit notifications
- We offered very flexible payment arrangements and will continue to do so in 2021/22 in order to help people get back up to date
- After a very disruptive year the actual outturn for Council Tax was only 0.9% below last years

2.4 Future Plans and initiatives

In year collection rates should improve in 2021/22 if the economy recovers satisfactorily and there is no more suspension of recovery action during the financial year. However, the reduction in arrears is likely to take more time to get back to pre-pandemic levels, as we try to balance achievable payment arrangements whilst ensuring that the current year is paid in full and therefore to prevent overall arrears rising.

The main initiatives and improvements to be undertaken to maximise in year collection rates and reduce arrears are as follows;

- Through a reorganisation in the Revenues and Benefits Team during 2020/21 there is now a dedicated Recovery Team to prioritise work and have a greater expertise in this area
- Funding from Norfolk County Council for a Court Officer has been approved for a further two years. This post will work on the higher-level debt cases
- Use of the remaining funding from the Council Tax Hardship Fund to enable achievable payment arrangements for those with difficulties paying arrears and current year council tax
- Work more closely with debt agencies such as DIAL and CAB to engage with hard to reach customers who are finding it difficult to pay
- Changes to the Council Tax Support Scheme for 2021, will make claiming for Council Tax Support easier for Universal Credit claimants to do. When a customer makes a claim for universal credit they are asked if they also want to claim council tax support. If the customer answers yes, we receive an electronic copy of their Universal Credit details. From this year we will now assess their claim for Council Tax Support based on this information without the requirement for a separate application.
- Utilise and maximise the governments funding for discretionary reliefs for council tax and business rates to help payers meet their obligations
- To continue to use high level debt enforcement activity where appropriate.

2.5 Appendix 1 shows a summary of the Council's three main income streams and the level of debt associated with each and write offs, for the last three financial years

3 RECOMMENDATIONS

The Committee is asked to note and approve:

- (l) The annual debt report giving details of the Council's write-offs in accordance with the Council's Debt Write-Off Policy and performance in relation to revenues collection.

Area for consideration	Comment
Monitoring Officer Consultation:	No
Section 151 Officer Consultation:	Yes, Performance, financial collection and write off of debt
Existing Council Policies:	Yes, Debt Recovery Guidelines
Financial Implications:	Yes, as outlined in the report and Bad Debt Provisions
Legal Implications (including human rights):	Yes, Local Government Finance Act 1992
Risk Implications:	No
Equality Issues/EQIA assessment:	No
Crime & Disorder:	No
Every Child Matters:	No

Appendix 1

1. Collection Rates and Arrears Position

Table 1 shows the level of Council Tax and Business Rates outstanding at the year end

Table 1

Income Area	Year/Date	Total Arrears at 31 st March All Years (after write offs)* (£)	Current Years Arrears (after write-offs) ** (£)	% of Current Arrears v Net Debit	Provision for Bad/Doubtful Debt for all years (£)
Council Tax	2018/19	4,755,585	2,214,271	4.5%	2,210,915
	2019/20	5,397,019	2,352,338	4.5%	2,508,519
	2020/21	7, 113,464	2.864,585	5.3%	2,685,182

Income Area	Year/Date	Total Arrears at 31 st March All Years (after write offs)* (£)	Current Years Arrears (after write –offs) ** (£)	% of Current Arrears v Net Debit	Provision for Bad/Doubtful Debt for all years (£)
Business Rates	2018/19	1,380,479	592,740	1.9%	409,170
	2019/20	2,173,555	1,111,556	3.5%	630,556
	2020/21	2,799,910	1,418,567	9.6 %	659,594

*This is the cumulative arrears (excludes court costs) for all years including 2020/21.

** This is the arrears figure for 2020/21 as at 31/3/2021.

Collection of the all arrears is ongoing and for 2020/21 a further £480,000 Council Tax has been collected between April and May against previous year's arrears giving a collection rate of 95.5%.

Collection of the all arrears is ongoing and for 2020/21 a further £262,000 Business Rates has been collected between April and May against previous year's arrears.

Table 2 shows the level of sundry debt outstanding at the year end and the element of that debt which is attributable to Housing Benefit Overpayments being collected by invoicing customers.

Table 2

Income Area	Year	Total Arrears at 31st March All Years (after write offs) (£)	Net Debit Raised End of Year (£)	% outstanding against debit at year end (£)	Provision for Bad/Debt for all years (£)
Sundry Income (includes HB Overpayments)	2018/19	* 3,318,689	9,344,002	35%	592,516
	2019/20	** 3,071,503	9,735,031	31%	557,811
	2020/21	*** 5,065,327	13,707,742	37%	505,760

* 2018/19 – Housing Benefit Overpayments value = £1,848,665

** 2019/20 – Housing Benefit Overpayments value = £1,709,163

*** 2020/21 – Housing Benefit Overpayments value = £1,600,928

The overall arrears for Housing Benefit Overpayments continue to reduce and £159,249 more was collected than raised in 2020/21.

Although the overall debt for Sundry Debt has increased by £1,993,823, £1,749,989 of that was raised in February and March with three individual invoices of £1,365,396 accounting for that value.

Table 3 shows the Aged Debt Analysis for Sundry Debt (Not including Housing Benefit Overpayments)

Table 3

Age of Debt	Amount £
0 to 90 days old	1,820,710
90 to 180 days old	268,332
181 to 365 days old	278,568
Over 1 year old	1,096,789

Table 4 shows the Aged Debt Analysis for Housing Benefit Overpayments

Table 4

Age of Debt	Amount £
0 to 90 days old	9,266
90 to 180 days old	3,612
181 to 365 days old	44,262
Over 1 year old	1,543,788

Table 5 shows the total value raised for each revenue area and the total value of arrears as at the end of each of the last three financial years

Table 5

Income Area	Year/Date	Net Collectable Debit (£)	Number of Accounts	Average Amount per Account (after adjustments) (£)	Total of all Years Arrears (£)
Council Tax	2018/19	49,257,000	47,964	1,027	4,755,585
	2019/20	52,044,945	48,203	1,079	5,397,019
	2020/21	53,449,782	48,631	1,099	7,113,464
Business Rates	2018/19	31,641,000	5,010	6,315	1,380,479
	2019/20	31,638,496	5,253	6,022	2,173,555
	2020/21	* 14,641,927	5,327	2,748	2,799,910
* The net collectable debit was reduced during 2020/21 by the reliefs the government put in place to help businesses affected by lockdown. Local authorities were fully compensated for these reliefs by central government					
Sundry Income	2018/19	12,458,032	8,827	1,411.35	3,318,689
	2019/20	9,735,031	8,719	1,116.53	3,071,503
	2020/21	13,707,742	6,285	2,180.96	5,065,327

Table 6 shows the in-year collection rates for Council Tax and Business Rates over the last three financial years

Table 6

Income Area	2018/19	2019/20	2020/21	Target 2021/22
Council Tax	95.9%	95.5%	94.6%	96%
Business Rates	98%	96.5%	90.3%	97%

Table 7 shows the current overall collection rates for Council Tax and Business Rates since 2013, which shows that collection rates are actively being collected and recovery of debt is ongoing.

Whilst it is recognised that there is need to speed up the cash flow of these eventual collection rates to reduce the overall arrears, this demonstrates the ongoing collection and reduction of debt within the respective billing year.

Table 7

Year	Council Tax % (as at 3 March 2021)	£ of debt outstanding	Business Rates % (as at 31 March 2021)	£ of debt outstanding
2013/14	99.2%	136,457	99.2%	45,228
2014/15	99%	187,556	99.3%	48,990
2015/16	98.8%	271,914	98.9%	55,328
2016/17	98.6%	413,472	98.8%	78,627
2017/18	98.2%	762,365	98.7%	163,254
2018/19	97.7%	1,154,375	98.5%	327,305
2019/20	97%	1,685,508	97.8%	569,187

2. Write-Offs

Table 8 shows in summary the amounts of debts that have been written off over the last three years.

Table 8

Income Area	2018/19 (£)	2019/20 (£)	2020/21 (£)
Council Tax	298,551	454,339	81,218
Business Rates	336,797	2,229	246,837
Sundry Income (includes Housing Benefit write-offs)	201,578	89,825	6,623
Housing Benefit element of Sundry Income Write Offs shown above	130,691	73,171	1,425

Table 9 details the category of debts that have been written off over the year 2020/21 for all years.

Table 9

Category	Council Tax (£)	Business Rates (£)	Sundry Income (£)
Unable to collect			
Uneconomic/ bailiff unable to collect	14,333	21,522	2868
Debtor deceased	6,629		1,997
Debtor absconded	14,096		738
Debtor in bankruptcy or liquidation or other Insolvency proceedings	51,545	225,364	3,673
Undue hardship	9,988		
Appeal	470		
Write off write back	-15,843	-49	-2,653
Totals	81,218	246,837	6,623

Table 10 shows the breakdown of Sundry Debt written off (Excluding Housing Benefit Overpayments) into types of Invoice.

Table 10

Debt type	£ as at 31st March 2021
General/Misc	460
Property	861
HRA	436
Yare Care	121
Housing & Neighbourhoods (Homeless)	2,463
Environment	861
Tourism	-4

Table 11 details the amounts above that have been written off for Council Tax and Business Rates over the respective financial years during 2020/21.

Table 11

Year	Council Tax (£)	Business Rates (£)
Pre 2010	3,638	0
2010	160	0
2011	-135	-32
2012	353	270
2013	1,030	-17
2014	473	1,085
2015	2,354	25,721
2016	-640	50,382
2017	10,201	69,339
2018	24,630	92,472
2019	26,310	7,617
2020	12,844	0
Total	81,218	246,837

The level of Business Rates written off has increased in value from last year. The main reason for this is that a report that was due to be taken to this committee in March 2020 was not tabled because of the COVID lockdown. With the extra work within the Revenues Team during the last year write offs have not been a priority area of work and therefore the amounts written off have in general reduced from last year.

Table 12 is the Analysis of Business Rates Arrears Financial Year 2020/21 where the Ratepayer has lost the right to pay by Instalments

Table 12

Property Description	Debt outstanding (£) occupied properties	Debt outstanding (£) unoccupied properties	Total debt outstanding (£) occupied and unoccupied	Total number of occupied premises with debt outstanding	Total number of occupied premises with debt outstanding
Workshop Factories and Warehouses	317,625	125,691	443,316	34	20
Advertising Rights	3,582	0	3,582	12	0
Café and Restaurants	0	52,401	52,401	0	9
Car parks	1,393	0	1,393	4	0
Holiday Accommodation	0	15,715	15,715	0	7
Storage Land	35,943	0	35,943	6	0
Offices	93,131	76,141	169,272	26	16
Pubs	0	10,856	10,856	0	3
Shops	0	96,720	96,720	0	31
Miscellaneous	32,097	19,724	51,821	12	5
Total	483,771	397,248	881,019	94	91